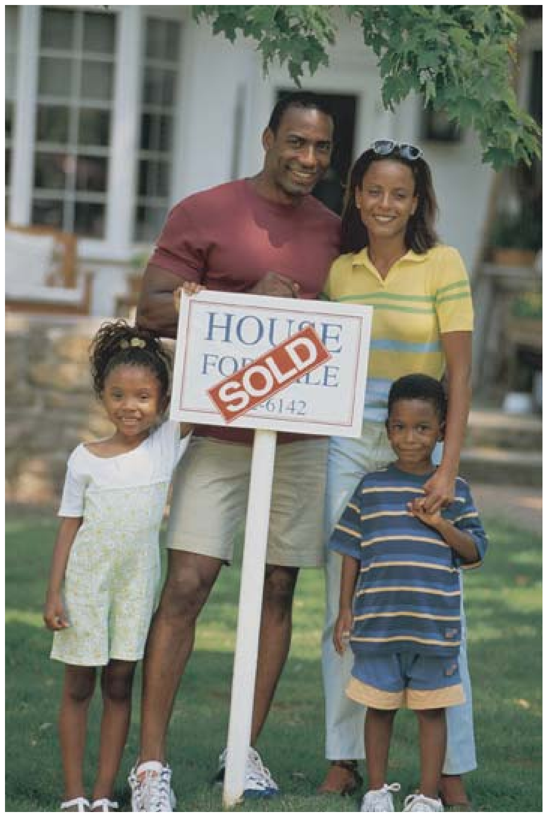
Mortgage Shopper's Resource Kit



Consumer Information from the Federal Trade Commission and other Agencies

presented by the
Michigan Office of Financial and Insurance Services,
Linda A. Watters, Commissioner

Michigan Department of
Labor & Economic Growth

This packet contains materials that are designed to help you, the consumer get a good mortgage at a fair rate, with reasonable costs.

The booklets "Looking for the Best Mortgage" and "Mortgage Servicing: Making Sure Your Payments Count" are provided to help you understand issues that you need to consider when choosing your mortgage. In addition to these brochures, there is information available from lenders, government, and consumer groups. Read up on mortgages. Learn some "tricks of the trade" before you begin talking to lenders.

When you shop for a mortgage, use common sense. Don't be pressured into a deal. The mortgage industry is very competitive. Seldom will a company or financial institution offer a deal that can't be matched by another.

You are under no obligation to use a mortgage provider recommended by your real estate agent. Shop for the deal that is in *your* best interest.

Many terms are negotiable. Lenders can often adjust the interest rate and some closing costs. Some fees may be waived if you ask. Compare individual items using the checklist in "Looking for the Best Mortgage," then compare the overall deals from various institutions.

If a deal sounds too good to be true, it probably is. Always shop around.

Always get any quotes, estimates and promises in writing.

Review the terms of your mortgage BEFORE your closing. A review of mortgage and closing documents by a real estate attorney is always a good idea. It is a small investment that could save you thousands of dollars.

Get more information from the OFIS website at www.michigan.gov/ofis, or by phoning us toll free at 1-877-999-6442.

The new Department of Labor & Economic Growth (DLEG), opened for business officially Dec. 8th, 2003. Governor Jennifer Granholm created DLEG to promote job creation and economic growth in Michigan by centralizing and streamlining the state's job, workforce, and economic development functions under one department. The new department, led by DLEG Director David C. Hollister, will be a one-stop shop for business creation and development.

The Michigan Office of Financial and Insurance Services (OFIS) is responsible for the regulation of Blue Cross Blue Shield, HMOs, banks, credit unions, insurance companies, investment advisers, securities broker-dealers, consumer finance lenders, insurance agents, and securities agents.

OFIS is part of the Department of Labor & Economic Growth and is primarily fee-funded, requiring minimal public tax dollars for its regulatory and consumer assistance activities. OFIS has insurance, financial institutions and securities information available online at the OFIS web site, www.michigan.gov/ofis. All information is also available through the OFIS toll free number, 1-877-999-6442.

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Looking for the Best Mortgage

Shop, Compare, Negotiate

Looking for the Best Mortgage?

Shop, Compare, Negotiate

Shopping around for a home loan or mortgage will help you to get the best financing deal. A mortgage—whether it's a home purchase, a refinancing, or a home equity loan—is a product, just like a car, so the price and terms may be negotiable. You'll want to compare all the costs involved in obtaining a mortgage. Shopping, comparing, and negotiating may save you thousands of dollars.

Obtain Information from Several Lenders

Home loans are available from several types of lenders—**thrift institutions***, commercial banks, mortgage companies, and credit unions. Different lenders may quote you different prices, so you should contact several lenders to make sure you're getting the best price. You can also get a home loan through a *mortgage broker*. Brokers arrange transactions rather than lending money directly; in other words, they find a lender for you. A broker's access to several lenders can mean a wider selection of loan products and terms from which you can choose. Brokers will generally contact several lenders regarding your application, but they are not obligated to find the best deal for you unless they have *contracted* with you to act as your agent. Consequently, you should consider contacting more than one broker, just as you should with banks or thrift institutions.

Whether you are dealing with a lender or a broker may not always be clear. Some financial institutions operate as both lenders and brokers. And most brokers' advertisements do not use the word "broker." Therefore, be sure to ask whether a broker is involved. This information is important because brokers are usually paid a fee for their services that may be separate from and in addition to the lender's origination or other fees. A broker's compensation may be in the form of "points" paid at closing or as an add-on to your **interest rate**, or both. You should ask each broker you work with how he or she will be compensated so that you can compare the different fees. Be prepared to negotiate with the brokers as well as the lenders.

*Words and terms appearing in bold in the text are defined in the glossary.

Obtain All Important Cost Information

Be sure to get information about **mortgages** from several lenders or brokers. Know how much of a down payment you can afford, and find out all the costs involved in the loan. Knowing just the amount of the monthly payment or the interest rate is *not* enough. Ask for information about the same loan amount, loan term, and type of loan so that you can *compare* the information. The following information is important to get from each lender and broker:

Rates

- Ask each lender and broker for a list of its current mortgage interest rates and whether the rates being quoted are the lowest for that day or week.
- Ask whether the rate is **fixed** or **adjustable**. Keep in mind that when interest rates for adjustable-rate loans go up, generally so does the monthly payment.
- If the rate quoted is for an adjustable-rate loan, ask how your rate and loan payment will vary, including whether your loan payment will be reduced when rates go down.

- Ask about the loan's **annual percentage rate (APR)**. The APR takes into account not only the interest rate but also points, broker fees, and certain other credit charges that you may be required to pay, expressed as a yearly rate.

Points

Points are fees paid to the lender or broker for the loan and are often linked to the interest rate; usually the more points you pay, the lower the rate.

- Check your local newspaper for information about rates and points currently being offered.
- Ask for points to be quoted to you as a dollar amount—rather than just as the number of points—so that you will actually know how much you will have to pay.

Fees

A home loan often involves many fees, such as **loan origination or underwriting fees,** broker fees, and **transaction, settlement,** and **closing costs.** Every lender or broker should be able to give you an estimate of its fees. Many of these fees are negotiable. Some fees are paid when you apply for a loan (such as application and appraisal fees), and others are paid at closing. In some cases, you can borrow the money needed to pay these fees, but doing so will increase your loan amount and total costs. "No cost" loans are sometimes available, but they usually involve higher rates.

- Ask what each fee includes. Several items may be lumped into one fee.
- Ask for an explanation of any fee you do not understand. Some common fees associated with a home loan closing are listed on the Mortgage Shopping Worksheet in this brochure.

Down Payments and Private Mortgage Insurance

Some lenders require 20 percent of the home's purchase price as a down payment. However, many lenders now offer loans that require less than 20 percent down—sometimes as little as 5 percent on **conventional loans**. If a 20 percent down payment is not made, lenders usually require the home buyer to purchase **private mortgage insurance (PMI)** to protect the lender in case the home buyer fails to pay. When government-assisted programs such as FHA (Federal Housing Administration), VA (Veterans Administration), or Rural Development Services are available, the down payment requirements may be substantially smaller.

- Ask about the lender's requirements for a down payment, including what you need to do to verify that funds for your down payment are available.
- Ask your lender about special programs it may offer.

If PMI is required for your loan,

- Ask what the total cost of the insurance will be.
- Ask how much your monthly payment will be when including the PMI premium.
- Ask how long you will be required to carry PMI.

Obtain the Best Deal That You Can

Once you know what each lender has to offer, negotiate for the best deal that you can. On any given day, lenders and brokers may offer different prices for the same loan terms to different consumers, even if those consumers have the same loan qualifications. The most likely reason for this difference in price is that loan officers and brokers are often allowed to keep some or all of this difference as extra compensation. Generally, the difference between the lowest available price for a loan product and any higher price that the borrower agrees to pay is an **overage**. When overages occur, they are built into the prices quoted to consumers. They can occur in both fixed and variable-rate loans and can be in the form of points, fees, or the interest rate. Whether quoted to you by a loan officer or a broker, the price of any loan may contain overages.

Have the lender or broker write down all the costs associated with the loan. Then ask if the lender or broker will waive or reduce one or more of its fees or agree to a lower rate or fewer points. You'll want to make sure that the lender or broker is not agreeing to lower one fee while raising another or to lower the rate while raising points. There's no harm in asking lenders or brokers if they can give better terms than the original ones they quoted or than those you have found elsewhere.

Once you are satisfied with the terms you have negotiated, you may want to obtain a written **lock-in** from the lender or broker. The lock-in should include the rate that you have agreed upon, the period the lock-in lasts, and the number of points to be paid. A fee may be charged for locking in the loan rate. This fee may be refundable at closing. Lock-ins can protect you from rate increases while your loan is being processed; if rates fall, however, you could end up with a less favorable rate. Should that happen, try to negotiate a compromise with the lender or broker.

Remember: Shop, Compare, Negotiate

When buying a home, remember to shop around, to compare costs and terms, and to negotiate for the best deal. Your local newspaper and the Internet are good places to start shopping for a loan. You can usually find information both on interest rates and on points for several lenders. Since rates and points can change daily, you'll want to check your newspaper often when shopping for a home loan. But the newspaper does not list the fees, so be sure to ask the lenders about them.

The Mortgage Shopping Worksheet that follows may also help you. Take it with you when you speak to each lender or broker and write down the information you obtain. Don't be afraid to make lenders and brokers compete with each other for your business by letting them know that you are shopping for the best deal.

Fair Lending Is Required by Law

The *Equal Credit Opportunity Act* prohibits lenders from discriminating against credit applicants in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, whether all or part of the applicant's income comes from a public assistance program, or whether the applicant has in good faith exercised a right under the Consumer Credit Protection Act.

The *Fair Housing Act* prohibits discrimination in residential real estate transactions on the basis of race, color, religion, sex, handicap, familial status, or national origin.

Under these laws, a consumer cannot be *refused* a loan based on these characteristics nor be *charged more* for a loan or *offered less favorable terms* based on such characteristics.

Credit Problems? Still Shop, Compare, and Negotiate

Don't assume that minor credit problems or difficulties stemming from unique circumstances, such as illness or temporary loss of income, will limit your loan choices to only high-cost lenders.

If your credit report contains negative information that is accurate, but there are good reasons for trusting you to repay a loan, be sure to explain your situation to the lender or broker. If your credit problems cannot be explained, you will probably have to pay more than borrowers who have good credit histories. But don't assume that the only way to get credit is to pay a high price. Ask how your past credit history affects the price of your loan and what you would need to do to get a better price. Take the time to shop around and negotiate the best deal that you can.

Whether you have credit problems or not, it's a good idea to review your credit report for accuracy and completeness before you apply for a loan. To order a copy of your credit report, contact:

Equifax: (800) 685-1111
TransUnion: (800) 916-8800
Experian: (800) 682-7654

Glossary

Adjustable-rate loans*,* also known as variable-rate loans*,* usually offer a lower initial interest rate than fixed-rate loans. The interest rate fluctuates over the life of the loan based on market conditions, but the loan agreement generally sets maximum and minimum rates. When interest rates rise, generally so do your loan payments; and when interest rates fall, your monthly payments may be lowered.

Annual percentage rate (APR) is the cost of credit expressed as a yearly rate. The APR includes the interest rate, points, broker fees, and certain other credit charges that the borrower is required to pay.

Conventional loans are mortgage loans other than those insured or guaranteed by a government agency such as the FHA (Federal Housing Administration), the VA (Veterans Administration), or the Rural Development Services (formerly know as Farmers Home Administration, or FmHA).

Escrow is the holding of money or documents by a neutral third party prior to closing. It can also be an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.

Fixed-rate loans generally have repayment terms of 15, 20, or 30 years. Both the interest rate and the monthly payments (for principal and interest) stay the same during the life of the loan.

The ***interest rate*** is the cost of borrowing money expressed as a percentage rate. Interest rates can change because of market conditions.

Loan origination fees are fees charged by the lender for processing the loan and are often expressed as a percentage of the loan amount.

Lock-in refers to a written agreement guaranteeing a home buyer a specific interest rate on a home loan provided that the loan is closed within a certain period of time, such as 60 or 90 days. Often the agreement also specifies the number of points to be paid at closing.

A ***mortgage*** is a document signed by a borrower when a home loan is made that gives the lender a right to take possession of the property if the borrower fails to pay off on the loan.

Overages are the difference between the lowest available price and any higher price that the home buyer agrees to pay for the loan. Loan officers and brokers are often allowed to keep some or all of this difference as extra compensation.

Points are fees paid to the lender for the loan. One point equals 1 percent of the loan amount. Points are usually paid in cash at closing. In some cases, the money needed to pay points can be borrowed, but doing so will increase the loan amount and the total costs.

Private mortgage insurance (PMI) protects the lender against a loss if a borrower defaults on the loan. It is usually required for loans in which the down payment is less than 20 percent of the sales price or, in a refinancing, when the amount financed is greater than 80 percent of the appraised value.

Thrift institution is a general term for savings banks and savings and loan associations.

Transaction, settlement, or closing costs may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs at the time of application or within three days of application. The good faith estimate lists each expected cost either as an amount or a range.

Mortgage Shopping Worksheet

	Lender 1		Lender 2	
Name of Lender:				
Name of Contact:				
Date of Contact:				
Mortgage Amount:				
	mortgage 1	mortgage 2	mortgage 1	mortgage 2
Basic Information on the Loans				
Type of Mortgage: fixed rate, adjustable rate, conventional, FHA, other? If adjustable, see below				
Minimum down payment required				
Loan term (length of loan)				
Contract interest rate				
Annual percentage rate (APR)				
Points (may be called loan discount points)				
Monthly Private Mortgage Insurance (PMI) premiums				
How long must you keep PMI?				
Estimated monthly **escrow** for taxes and hazard insurance				
Estimated monthly payment (Principal, Interest, Taxes, Insurance, PMI)				
Fees				
Different institutions may have different names for some fees and may charge different fees. We have listed some typical fees you may see on loan documents.				
Application fee or Loan processing fee				
Origination fee or Underwriting fee				
Lender fee or Funding fee				
Appraisal fee				
Attorney fees				
Document preparation and recording fees				
Broker fees (may be quoted as points, origination fees, or interest rate add-on)				
Credit report fee				
Other fees				
Other Costs at Closing/Settlement				
Title search/Title insurance				
For lender				
For you				
Estimated prepaid amounts for interest, taxes, hazard insurance, payments to escrow				
State and local taxes, stamp taxes, transfer taxes				
Flood determination				
Prepaid Private Mortgage Insurance (PMI)				
Surveys and home inspections				
Total Fees and Other Closing/Settlement Cost Estimates				

Mortgage Shopping Worksheet—continued

	Lender 1		Lender 2	
Name of Lender:				
	mortgage 1	mortgage 2	mortgage 1	mortgage 2
Other Questions and Considerations about the Loan				
Are any of the fees or costs waivable?				
Prepayment penalties				
Is there a prepayment penalty?				
If so, how much is it?				
How long does the penalty period last? (for example, 3 years? 5 years?)				
Are extra principal payments allowed?				
Lock-ins				
Is the lock-in agreement in writing?				
Is there a fee to lock-in?				
When does the lock-in occur—at application, approval, or another time?				
How long will the lock-in last?				
If the rate drops before closing, can you lock-in at a lower rate?				
If the loan is an adjustable rate mortgage:				
What is the initial rate?				
What is the maximum the rate could be next year?				
What are the rate and payment caps each year and over the life of the loan?				
What is the frequency of rate change and of any changes to the monthly payment?				
What is the index that the lender will use?				
What margin will the lender add to the index?				
Credit life insurance				
Does the monthly amount quoted to you include a charge for credit life insurance?				
If so, does the lender require credit life insurance as a condition of the loan?				
How much does the credit life insurance cost?				
How much lower would your monthly payment be without the credit life insurance?				
If the lender does not require credit life insurance, and you still want to buy it, what rates can you get from other insurance providers?				

Shop, Compare, Negotiate — Looking for the Best Mortgage?

This brochure was prepared by the following agencies:

- Department of Housing and Urban Development
- Department of Justice
- Department of the Treasury
- Federal Deposit Insurance Corporation
- Federal Housing Finance Board
- Federal Reserve Board
- Federal Trade Commission
- National Credit Union Administration
- Office of Federal Housing Enterprise Oversight
- Office of the Comptroller of the Currency
- Office of Thrift Supervision

These agencies (except the Department of the Treasury) enforce compliance with laws that prohibit discrimination in lending. If you feel that you have been discriminated against in the home financing process, you may want to contact one of the agencies listed above about your rights under these laws.

For more information on home lending issues, visit (http://www.consumer.gov), write to the Consumer Information Center, Pueblo, CO 81009 or visit the Center's Web site at (http://www.pueblo.gsa.gov). The following brochures are available from the Center:

- A Consumer's Guide to Mortgage Lock-Ins
- A Consumer's Guide to Mortgage Refinancing
- Buying Your Home: Settlement Costs and Helpful Information
- Consumer Handbook on Adjustable Rate Mortgages
- Guide to Single Family Home Mortgage Insurance
- Home Buyer's Vocabulary
- Home Mortgages: Understanding the Process and Your Rights to Fair Lending
- How to Buy a Home with a Low Down Payment
- How to Dispute Credit Report Errors
- The HUD Home Buying Guide
- When Your Home Is on the Line

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Mortgage Servicing: Making Sure Your Payments Count

When you apply for a home mortgage, you may think that the lender will hold and service your loan until you pay it off or you sell your house. That's often not the case. In today's market, loans and the rights to service them often are bought and sold.

A home may be one of the most expensive purchases you ever make, so it's important to know who is handling your payments and that your mortgage account is properly credited. The Federal Trade Commission (FTC) wants you to know what a mortgage servicer does and what your rights are.

Mortgage Servicers: Their Responsibilities to You

A mortgage servicer is responsible for collecting your monthly loan payments and crediting your account. A servicer also handles your escrow account, if you have one.

Escrow Accounts

An escrow account is a fund held by your servicer into which you pay money to cover charges like property taxes and homeowners insurance. The escrow payments typically are included as part of your monthly mortgage payments. The servicer pays your taxes and insurance as they become due during the year. If you do not have an escrow account, you are responsible for paying your taxes and insurance and budgeting accordingly.

The Real Estate Settlement Procedures Act (RESPA), enforced by the Department of Housing and Urban Development, is the major law covering escrow accounts. If your mortgage servicer administers an escrow account for you, the servicer is generally required to make escrow payments for taxes, insurance, and any other charges in a timely manner. Within 45 days of establishing the account, the servicer must give you a statement that clearly itemizes the estimated taxes, insurance premiums, and other anticipated charges to be paid over the next 12 months, and the expected dates and totals of those payments.

Under RESPA, the mortgage servicer also is required to give you a free annual statement that details the activity of your escrow account. This statement shows your account balance and reflects payments for your property taxes, homeowners insurance, and other charges.

Transfer of Servicing

If your loan is about to be sold, you generally get two notices: one from your current mortgage servicer; the other from the new servicer. Usually, your current servicer must notify you at least 15 days before the effective date of the transfer, unless you received a written transfer notice at settlement. The effective date is when the first mortgage payment is due at the new servicer's address. The new servicer must notify you within 15 days after the transfer has occurred.

The notices must include:

- the name and address of the new servicer.
- the date the current servicer will stop accepting your mortgage payments.
- the date the new servicer will begin accepting your mortgage payments.
- toll-free or collect-call telephone numbers, for the current and new mortgage servicer, for information about the transfer.
- whether you can continue any optional insurance, such as credit life or disability insurance; what action, if any, you must take to maintain coverage; and whether the insurance terms will change.
- a statement that the transfer will not affect any terms or conditions of your mortgage, except those directly related to the servicing of the loan. For example, if your contract says you were allowed to pay property taxes and insurance premiums on your own, the new servicer cannot demand that you establish an escrow account.

There is a 60-day grace period after the transfer: during this time you cannot be charged a late fee if you mistakenly send your mortgage payment to the old servicer. In addition, the fact that your new servicer may have received your payment late as a result cannot be reported to a credit bureau.

Posting Payments

Some consumers have complained that they've been charged late fees, even when they know they made their payments on time. To help protect yourself, keep good records of what you've paid, including any billing statements, canceled checks, or bank account statements. You also may check your account history online if your servicer's Web site has this feature. If you have a dispute, continue to make your mortgage payments, but challenge the servicing in writing (see Sample Complaint Letter to Lender), and keep a copy of the letter and any enclosures for your records. Send your correspondence by certified mail, and request a return receipt. Or send it by fax, and keep a copy of the transmittal confirmation.

Force Placed Insurance

It's important to maintain the required property insurance on your home. If you don't, your servicer can buy insurance on your behalf. This type of policy is known as force placed insurance; it usually is more expensive than typical insurance; and it provides less coverage. The primary purpose of a force placed policy is to protect the mortgage holder, not the property owner.

Review all correspondence you receive from your mortgage servicer. Your mortgage servicer may request that you provide a copy of your property insurance policy. Respond promptly to requests regarding property insurance, and keep copies of all documents you send to your mortgage servicer.

If you believe there's a paperwork error and that your coverage is adequate, provide a copy of your insurance policy to your servicer. Once the servicer corrects the error, removes the force placed coverage, and refunds the cost of the force placed policy, make sure that any late fees or interest you were charged as a result of the coverage also are removed.

Fees

Review your billing statements carefully to make sure that any fees the servicer charges are legitimate. For example, the fees may have been authorized by the mortgage contract or by you to pay

Sample Complaint Letter to Lender

The following is a sample qualified written request from you, the borrower, to a lender. Use this format to address complaints under the Real Estate Settlement Procedures Act (RESPA).

Attention Customer Service:

Subject: Your loan number
Your Name
Your Address
Your City, State, Zip Code

This is a "qualified written request" under Section 6 of the Real Estate Settlement Procedures Act (RESPA).

I am writing because:

Describe the issue or the question you have and/or what action you believe the lender should take.

Attach copies of any related written materials.

Describe any conversations with customer service regarding the issue and to whom you spoke.

Describe any previous steps you have taken or attempts to resolve the issue.

List a day time telephone number in case a customer service representative wishes to contact you.

I understand that under Section 6 of RESPA you are required to acknowledge my request within 20 business days and must try to resolve the issue within 60 business days.

Sincerely,

Your name

for a service. If you do not understand what the fees are for, send a written inquiry and ask for an itemization and explanation of the fees. Also, if you call your mortgage servicer to request a service, such as faxing copies of loan documents, make sure you ask whether there is a fee for the service and what it is.

Inquiries and Disputes

Under RESPA, your mortgage servicer must respond promptly to written inquiries, known as qualified written requests (see Sample Complaint Letter to Lender). If you believe you've been charged a penalty or late fee that you don't owe, or if you have other problems with the servicing of your loan, contact your servicer in writing. Be sure to include your account number and clearly explain why you believe your account is incorrect. Your inquiry should not be just a note on the payment coupon supplied by your servicer, but should be sent separately to the customer service address.

Within 20 business days of receiving your inquiry, the servicer must send you a written response acknowledging it. Within 60 business days, the servicer either must correct your account or determine that it is accurate. The servicer must send you a written notice of the action it took and why, along with the name and telephone number of someone you can contact for additional assistance.

Do ***not*** subtract any disputed amount from your mortgage payment. Some mortgage servicers might refuse to accept what they consider to be partial payments. They might return your check and charge you a late fee, or claim that your mortgage is in default and start foreclosure proceedings.

Fair Debt Collection

By law, a debt collector is a person who regularly collects debts owed to others. Your mortgage servicer is considered a debt collector only if your loan was in default when the servicer acquired it. If that's true, you have additional rights that you can read about in the FTC's brochure "Fair Debt Collection."

Your Credit Report

Many mortgage companies provide information about your payment history to credit bureaus, companies that maintain and sell consumer credit reports — which contain information about your credit payment history — to other creditors, employers, insurers, and businesses. Both the credit bureaus and the information provider have responsibilities for correcting inaccurate or incomplete information.

If you believe that your mortgage servicer has provided inaccurate information to a credit bureau, contact the credit bureau ***and*** the servicer. Tell the credit bureau in writing (see Sample Dispute Letter to Credit Bureau) what information you believe is inaccurate. Include copies (NOT originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute, state the facts, and explain why you dispute the information, and request deletion or correction. You may want to enclose a copy of your report with the items in question circled. Send your letter by certified mail, return receipt requested, so you can document what the credit bureau received. Keep copies of your dispute letter and enclosures.

Credit bureaus must re-investigate the items in question — usually within 30 days — unless they consider your dispute frivolous. They also must forward all relevant information you provide about the dispute to the information provider. After the information provider receives notice of a dispute from the credit bureau, it must investigate, review all relevant information provided by the credit bureau, and report the results to the credit bureau. If the information provider finds the disputed information to be inaccurate, it must notify all national credit bureaus so they can correct this information in your file. Disputed information that cannot be verified must be deleted from your file.

- If your report contains erroneous information, the credit bureau must correct it.
- If an item is incomplete, the credit bureau must complete it. For example, if your file showed that you were late making payments,

Sample Dispute Letter to Credit Bureau

Date

Your Name
Your Address
Your City, State, Zip Code

Complaint Department
Name of Credit Reporting Agency
Address
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are encircled on the attached copy of the report I received. (Identify item(s) disputed by name of loan servicer and loan number.)

This item is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position. Please re-investigate this (these) matter(s) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,
Your name

Enclosures: (List what you are enclosing)

but failed to show that you were no longer delinquent, the credit bureau must show that you're current.
- If your file shows an account that belongs to another person, the credit bureau must delete it.

When the re-investigation is complete, the credit bureau must give you the written results and a free copy of your report if the dispute results in a change. If an item is changed or removed, the credit bureau cannot put the disputed information back in your file unless the information provider verifies its accuracy and completeness, and the credit bureau gives you a written notice that includes the name, address, and phone number of the provider.

Also, if you request it, the credit bureau must send notices of corrections to anyone who received your report in the past six months. If a re-investigation does not resolve your dispute, ask the credit bureau to include your statement of the dispute in your file and in future reports.

In addition to writing to the credit bureau, tell the servicer in writing that you dispute an item. Include copies (NOT originals) of the documents that support your position. If a servicer specifies an address for disputes, it is important to send your dispute to that address. If the provider then reports the item to any credit bureau, it must include a notice of your dispute. If you are correct — that is, if the disputed information is inaccurate — the information provider may not report it again.

If You Have a Complaint

If you believe your mortgage servicer has not responded appropriately to your written inquiry, contact your local or state consumer protection office. You also should contact the Department of Housing and Urban Development (HUD) to file a complaint under the RESPA regulations. Write: Office of RESPA and Interstate Land Sales, Department of Housing and Urban Development, 451 Seventh Street, S.W., Room 9146, Washington, DC 20410.

In addition, you may want to contact an attorney to advise you of your legal rights. Under certain sections of the RESPA, consumers can initiate lawsuits and obtain actual damages, plus additional damages, for a pattern or practice of noncompliance. In successful actions, consumers also may obtain court costs and attorney's fees.

You may want to contact a housing counselor to discuss your situation. You can call HUD's hotline at 1-800-217-6970 for a referral to a local HUD-approved housing counselor.

You also may wish to contact the FTC. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	FOR THE CONSUMER
1-877-FTC-HELP	www.ftc.gov

Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer and Business Education

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